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104TH CONGRESS
1ST SESSION

H. R. 1766

To provide for the establishment of a modernized and simplified health information network for medicare and medicaid, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

JUNE 7, 1995

Mr. HOBSON (for himself, Mr. SAWYER, and Mrs. JOHNSON of Connecticut) introduced the following bill; which was referred to the Committee on Commerce, and in addition to the Committee on Ways and Means, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

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A BILL

To provide for the establishment of a modernized and simplified health information network for medicare and medicaid, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

(a) SHORT TITLE.—This Act may be cited as the "Health Information Modernization and Security Act".

(b) TABLE OF CONTENTS.—The table of contents is as follows:

Sec. 1. Short title; table of contents.

TITLE I—PURPOSE AND REPEAL OF DATA BANK

Sec. 101. Purpose.
Sec. 102. Repeal of data bank.

TITLE II—ADMINISTRATIVE SIMPLIFICATION

Sec. 201. Administrative simplification.

TITLE III—EFFECTIVE DATES

Sec. 301. Effective dates.

TITLE I—PURPOSE AND REPEAL OF DATA BANK

SEC. 101. PURPOSE.

It is the purpose of this Act to improve the medicare program under title XVIII of the Social Security Act, the medicaid program under title XIX of such Act, and the efficiency and effectiveness of the health care system, by encouraging the development of a health information network through the establishment of standards and requirements for the electronic transmission of certain health information.

SEC. 102. REPEAL OF DATA BANK.

(a) IN GENERAL.—Section 1144 of the Social Security Act (42 U.S.C. 1320b–14) and section 101(f) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1021(f)) are repealed.

(b) INTERNAL REVENUE CODE PROVISION.—Section 6103(*l*) of the Internal Revenue Code of 1986 is amended by striking paragraph (12).

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(c) IDENTIFICATION OF MEDICARE SECONDARY PAYER SITUATIONS.—Section 1862(b) of the Social Security Act (42 U.S.C. 1395y(b)) is amended by striking paragraph (5).

(d) CONFORMING AMENDMENTS.—

(1) Section 1902(a)(25)(A)(i) of the Social Security Act (42 U.S.C. 1396a(a)(25)(A)(i)) is amended by striking "including the use of information collected by the Medicare and Medicaid Coverage Data Bank under section 1144 and any additional measures".

(2) Subsection (a)(8)(B) of section 552a of title 5, United States Code, is amended—

(A) in clause (v), by inserting "; or" at the end;

(B) in clause (vi), by striking "or" at the end; and

(C) by striking clause (vii).

TITLE II—ADMINISTRATIVE SIMPLIFICATION

SEC. 201. ADMINISTRATIVE SIMPLIFICATION.

(a) IN GENERAL.—Title XI of the Social Security Act (42 U.S.C. 1301 et seq.) is amended by adding at the end the following new part:

"PART C—ADMINISTRATIVE SIMPLIFICATION

"SEC. 1171. DEFINITIONS.

"For purposes of this part:

"(1) CODE SET.—The term 'code set' means any set of codes used for encoding data elements, such as tables of terms, medical concepts, medical diagnostic codes, or medical procedure codes.

"(2) COORDINATION OF BENEFITS.—The term 'coordination of benefits' means determining and coordinating the financial obligations of health plans when health care benefits are payable under 2 or more health plans.

"(3) EQUIVALENT HEALTH CARE PROGRAM.—The term 'equivalent health care program' means—

"(A) the health care program for active military personnel under title 10, United States Code;

"(B) the veterans health care program under chapter 17 of title 38, United States Code;

"(C) the Civilian Health and Medical Program of the Uniformed Services (CHAMPUS), as defined in section 1073(4) of title 10, United States Code;

"(D) the Indian health service program under the Indian Health Care Improvement Act (25 U.S.C. 1601 et seq.); and

"(E) the Federal Employees Health Benefit Plan under chapter 89 of title 5, United States Code.

(4) HEALTH CARE PROVIDER.—The term 'health care provider' includes a provider of services (as defined in section 1861(u), a provider of medical or other health services (as defined in section 1861(s))), and any other person furnishing health care services or supplies.

"(5) HEALTH INFORMATION.—The term 'health information' means any information, whether oral or recorded in any form or medium that—

"(A) is created or received by a health care provider, health plan, public health authority, employer, life insurer, school or university, or health information network service; and

"(B) relates to the past, present, or future physical or mental health or condition of an individual, the provision of health care to an individual, or the past, present, or future payment for the provision of health care to an individual.

"(6) HEALTH INFORMATION NETWORK.—The term 'health information network' means the health information system that is formed through the application of the requirements and standards established under this part.

"(7) HEALTH INFORMATION NETWORK SERVICE.—The term 'health information network service' means a public or private entity that—

"(A) processes or facilitates the processing of nonstandard data elements of health information into standard data elements;

"(B) provides the means by which persons may meet the requirements of this part; or

"(C) provides specific information processing services.

"(8) HEALTH PLAN.—The term 'health plan' means a plan which provides, or pays the cost of, health benefits. Such term includes the following, or any combination thereof:

"(A) Part A or part B of the medicare program under title XVIII.

"(B) The medicaid program under title XIX.

"(C) A medicare supplemental policy (as defined in section 1882(g)(1)).

"(D) Coverage issued as a supplement to liability insurance.

"(E) General liability insurance.

"(F) Worker's compensation or similar insurance.

"(G) Automobile or automobile medical-payment insurance.

"(H) A long-term care policy, including a nursing home fixed indemnity policy (unless the Secretary determines that such a policy does not provide sufficiently comprehensive coverage of a benefit so that the policy should be treated as a health plan).

"(I) A hospital or fixed indemnity income-protection policy.

"(J) An equivalent health care program.

"(K) An employee welfare benefit plan, as defined in section 3(1) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1002(1)), but only to the extent the plan is established or maintained for the purpose of providing health benefits and has 50 or more participating employees.

"(L) An employee welfare benefit plan or any other arrangement which is established or

maintained for the purpose of offering or providing health benefits to the employees of 2 or more employers.

"(M) Such other plan or arrangement as the Secretary determines is a health plan.

"(9) INDIVIDUALLY IDENTIFIABLE HEALTH INFORMATION.—The term 'individually identifiable health information' means any information, including demographic information collected from an individual, that—

"(A) is created or received by a health care provider, health plan, employer, or health information network service; and

"(B) relates to the past, present, or future physical or mental health or condition of an individual, the provision of health care to an individual, or the past, present, or future payment for the provision of health care to an individual, and—

"(i) identifies an individual; or

"(ii) with respect to which there is a reasonable basis to believe that the information can be used to identify an individual.

"(10) SECRETARY.—The term 'Secretary' means the Secretary of Health and Human Services.

"(11) STANDARD SETTING ORGANIZATION.—The term 'standard setting organization' means a standard setting organization accredited by the American National Standards Institute or any other private organization (including the National Council for Prescription Drug Programs and the Health Information Standards Planning Panel) that develops standards for information transactions, data elements, or any other standard that is necessary to or will facilitate the implementation of this part, if the standard development procedures of the organization are open to the public and are based on a broad consensus of opinion.

"(12) STANDARD TRANSACTION.—The term 'standard transaction' means, when referring to an information transaction or to data elements of health information, any transaction that meets the requirements and implementation specifications adopted by the Secretary under sections 1172 and 1173.

"SEC. 1172. GENERAL REQUIREMENTS ON SECRETARY.

"(a) ADOPTION OF STANDARDS.—

"(1) IN GENERAL.—Pursuant to section 1173, the Secretary shall adopt standards for information transactions and data elements of health information and modifications to the standards under this part that are—

"(A) consistent with the objective of reducing the administrative costs of providing and paying for health care; and

"(B) developed or modified by a standards setting organization.

"(2) ADDITIONAL STANDARDS UNDER CERTAIN CONDITIONS.—If the Secretary determines that a standard developed or modified by a standard setting organization is impractical and more costly to implement than a standard that is in use and generally accepted, the Secretary may adopt the standard that is in use and generally accepted in addition to the standard developed or modified by the standard setting organization. The Secretary shall publish in the Federal Register the analysis upon which the Secretary based the determination to adopt such additional standard.

"(3) SPECIAL RULE RELATING TO DATA ELEMENTS.—The Secretary may adopt or modify a standard relating to data elements that is different

from the standard developed by a standard setting organization, if—

"(A) the different standard or modification will substantially reduce administrative costs to health care providers and health plans compared to the alternative; and

"(B) the standard or modification is promulgated in accordance with the rulemaking procedures of subchapter III of chapter 5 of title 5, United States Code.

"(b) SECURITY STANDARDS FOR HEALTH INFORMATION NETWORK.—

"(1) IN GENERAL.—Each person, who maintains or transmits health information or data elements of health information and is subject to this part, shall maintain reasonable and appropriate administrative, technical, and physical safeguards—

"(A) to ensure the integrity and confidentiality of the information;

"(B) to protect against any reasonably anticipated—

"(i) threats or hazards to the security or integrity of the information; and

"(ii) unauthorized uses or disclosures of the information; and

"(C) to otherwise ensure compliance with this part by the officers and employees of such person.

"(2) SECURITY STANDARDS.—The Secretary shall establish security standards and modifications to such standards with respect to health information network services, health plans, and health care providers that—

"(A) take into account—

"(i) the technical capabilities of record systems used to maintain health information;

"(ii) the costs of security measures;

"(iii) the need for training persons who have access to health information;

"(iv) the value of audit trails in computerized record systems; and

"(v) the needs and capabilities of small health care providers and rural health care providers (as such providers are defined by the Secretary); and

"(B) ensure that a health information network service, if it is part of a larger organization, has policies and security procedures which isolate the activities of such service with respect

to processing information in a manner that prevents unauthorized access to such information by such larger organization.

The security standards established by the Secretary shall be based on the standards developed or modified by standard setting organizations. If such standards do not exist, the Secretary shall rely on the recommendations of the Health Information Advisory Committee and shall consult with appropriate government agencies and private organizations in accordance with subsection (e).

"(e) PRIVACY STANDARDS FOR HEALTH INFORMATION NETWORK.—The Secretary shall establish standards and modifications to such standards with respect to the privacy of individually identifiable health information that is in the health information network. Such standards shall include standards concerning at least the following:

"(1) The rights of an individual who is the subject of such information.

"(2) The procedures to be established for the exercise of such rights.

"(3) The uses and disclosures of such information that are authorized or required.

"(4) Safeguards for the security of such information and adequate security practices.

"(d) IMPLEMENTATION SPECIFICATIONS.—The Secretary shall establish specifications for implementing each of the standards and the modifications to the standards adopted pursuant to subsection (a).

"(e) ASSISTANCE TO THE SECRETARY.—In complying with the requirements of this part, the Secretary shall rely on recommendations of the Health Information Advisory Committee established under section 1179 and shall consult with appropriate Federal and State agencies and private organizations. The Secretary shall publish in the Federal Register the recommendations of the Health Information Advisory Committee regarding the adoption of a standard under this part.

"SEC. 1173. STANDARDS FOR INFORMATION TRANSACTIONS AND DATA ELEMENTS.

"(a) IN GENERAL.—

"(1) GENERAL REQUIREMENTS.—The Secretary shall adopt standards for transactions and data elements to make health information uniformly available to be exchanged electronically, that is—

"(A) appropriate for the following financial and administrative transactions: claims (including coordination of benefits) or equivalent encounter information, claims attachments, enrollment and disenrollment, eligibility, health care

payment and remittance advice, premium payments, first report of injury, claims status, and referral certification and authorization; and

"(B) related to other financial and administrative transactions determined appropriate by the Secretary consistent with the goals of improving the operation of the health care system and reducing administrative costs.

"(2) ACCOMMODATION OF SPECIFIC PROVIDERS.—Nothing in this part shall prevent the Secretary from adopting standards that accommodate the specific needs of different types of health care providers.

"(b) UNIQUE HEALTH IDENTIFIERS.—

"(1) ADOPTION OF STANDARDS.—The Secretary shall adopt standards providing for a standard unique health identifier for each individual, employer, health plan, and health care provider for use in the health care system. In developing unique health identifiers for each health plan and health care provider, the Secretary shall take into account multiple uses for identifiers and multiple locations and specialty classifications for health care providers.

"(2) PENALTIES.—For provision regarding criminal penalties, see section 1177.

"(c) CODE SETS.—

"(1) IN GENERAL.—The Secretary, in consultation with the Health Information Advisory Committee, experts from the private sector, and Federal and State agencies, shall—

"(A) select code sets for appropriate data elements from among the code sets that have been developed by private and public entities; or

"(B) establish code sets for such data elements if no code sets for the data elements have been developed.

"(2) DISTRIBUTION.—The Secretary shall establish efficient and low-cost procedures for distribution (including electronic distribution) of code sets and modifications made to such code sets under section 1174(b).

"(d) ELECTRONIC SIGNATURE.—

"(1) IN GENERAL.—The Secretary, in coordination with the Secretary of Commerce and after consultation with the Health Information Advisory Committee, shall promulgate regulations specifying procedures for the electronic transmission and authentication of signatures, compliance with which

will be deemed to satisfy Federal and State statutory requirements for written signatures with respect to information transactions required by this part and written signatures on medical records and prescriptions.

"(2) PAYMENTS FOR SERVICES AND PREMIUMS.—Nothing in this part shall be construed to prohibit the payment of health care services or health plan premiums by debit, credit, payment card or numbers, or other electronic means.

"(e) TRANSFER OF INFORMATION BETWEEN HEALTH PLANS.—The Secretary shall develop rules and procedures—

"(1) for determining the financial liability of health plans when health care benefits are payable under two or more health plans; and

"(2) for transferring among health plans appropriate standard data elements needed for the coordination of benefits, the sequential processing of claims, and other data elements for individuals who have more than one health plan.

"(f) COORDINATION OF BENEFITS.—If, at the end of the 5-year period beginning on the date of the enactment of this part, the Secretary determines that additional transaction standards for coordinating benefits are nec-

essary to reduce administrative costs or duplicative (or inappropriate) payment of claims, the Secretary shall establish further transaction standards for the coordination of benefits between health plans.

"(g) PROTECTION OF TRADE SECRETS.—Except as otherwise required by law, the standards adopted under this part, shall not require disclosure of trade secrets or confidential commercial information by an entity operating a health information network.

"SEC. 1174. TIMETABLES FOR ADOPTION OF STANDARDS.

"(a) INITIAL STANDARDS.—Not later than 18 months after the date of the enactment of this part, the Secretary shall adopt standards relating to the information transactions, data elements of health information, security, and privacy described in sections 1172 and 1173. Standards relating to claims attachments shall be adopted not later than 30 months after such date.

"(b) ADDITIONS AND MODIFICATIONS TO STANDARDS.—

"(1) IN GENERAL.—Except as provided in paragraph (2), the Secretary shall review the standards adopted under this part and shall adopt additional or modified standards, that have been developed or modified by a standard setting organization, as determined appropriate, but not more frequently than

once every 6 months. Any addition or modification to such standards shall be completed in a manner which minimizes the disruption and cost of compliance.

"(2) SPECIAL RULES.—

"(A) FIRST 12-MONTH PERIOD.—Except with respect to additions and modifications to code sets under subparagraph (B), the Secretary shall not adopt any modifications to the standards adopted under this part during the 12-month period beginning on the date such standards are initially adopted under paragraph (1) unless the Secretary determines that a modification is necessary in order to permit compliance with requirements relating to the standards.

"(B) ADDITIONS AND MODIFICATIONS TO CODE SETS.—

"(i) IN GENERAL.—The Secretary shall ensure that procedures exist for the routine maintenance, testing, enhancement, and expansion of code sets.

"(ii) ADDITIONAL RULES.—If a code set is modified under this subsection, the modified code set shall include instructions

on how data elements of health information that were encoded prior to the modification may be converted or translated so as to preserve the informational value of the data elements that existed before the modification. Any modification to a code set under this subsection shall be implemented in a manner that minimizes the disruption and cost of complying with such modification.

"SEC. 1175. REQUIREMENTS FOR HEALTH PLANS.

"(a) IN GENERAL.—If a person desires to conduct any of the information transactions described in section 1173(a) with a health plan as a standard transaction, the health plan shall conduct such standard transaction in a timely manner and the information transmitted or received in connection with such transaction shall be in the form of standard data elements of health information.

"(b) SATISFACTION OF REQUIREMENTS.—A health plan may satisfy the requirement imposed on such plan under subsection (a) by directly transmitting standard data elements of health information or submitting nonstandard data elements to a health information network service for processing into standard data elements and transmission.

"(c) HEALTH PLANS DEALING WITH PERSONS.—A health plan conducting an information transaction with a person may not—

"(1) adversely affect the time, manner, or amount of payment of a claim because an information transaction is conducted as a standard transaction pursuant to this part; or

"(2) in any other manner discourage the use of a standard adopted under this part.

"(d) TIMETABLES FOR COMPLIANCE WITH REQUIREMENTS.—

"(1) INITIAL COMPLIANCE.—

"(A) IN GENERAL.—Not later than 24 months after the date on which standards are adopted under sections 1172 and 1173 with respect to any type of information transaction or data element of health information or with respect to security or privacy, a health plan shall comply with the requirements of this part with respect to such transaction or data element.

"(B) SPECIAL RULE FOR SMALL HEALTH PLANS.—In the case of a small health plan, paragraph (1) shall be applied by substituting "36 months" for "24 months". For purposes of

this subsection, the Secretary shall determine the plans that qualify as small health plans.

"(e) COMPLIANCE WITH MODIFIED STANDARDS.—If the Secretary adopts a modified standard under section 1172 or 1173, a health plan shall be required to comply with the modified standard at such time as the Secretary determines appropriate taking into account the time needed to comply due to the nature and extent of the modification. However, the time determined appropriate under the preceding sentence shall be not earlier than the last day of the 180-day period beginning on the date such modified standard is adopted. The Secretary may extend the time for compliance for small health plans, if the Secretary determines such extension is appropriate.

"SEC. 1176. GENERAL PENALTY FOR FAILURE TO COMPLY WITH REQUIREMENTS AND STANDARDS.

"(a) GENERAL PENALTY.—

"(1) IN GENERAL.—Except as provided in subsection (b), the Secretary shall impose on any person that violates a requirement or standard—

"(A) with respect to information transactions, data elements of health information, or security imposed under section 1172 or 1173; or

"(B) with respect to health plans imposed under section 1175;

a penalty of not more than $100 for each such violation of a specific standard or requirement, but the total amount imposed for all such violations of a specific standard or requirement during the calendar year shall not exceed $25,000.

"(2) PROCEDURES.—The provisions of section 1128A (other than subsections (a) and (b) and the second sentence of subsection (f)) shall apply to the imposition of a civil money penalty under this subsection in the same manner as such provisions apply to the imposition of a penalty under such section 1128A.

"(b) LIMITATIONS.—

"(1) NONCOMPLIANCE NOT DISCOVERED.—A penalty may not be imposed under subsection (a) if it is established to the satisfaction of the Secretary that the person liable for the penalty did not know, and by exercising reasonable diligence would not have known, that such person failed to comply with the requirement or standard described in subsection (a).

"(2) FAILURES DUE TO REASONABLE CAUSE.—

"(A) IN GENERAL.—Except as provided in subparagraph (B), a penalty may not be imposed under subsection (a) if—

"(i) the failure to comply was due to reasonable cause and not to willful neglect; and

"(ii) the failure to comply is corrected during the 30-day period beginning on the 1st date the person liable for the penalty knew, or by exercising reasonable diligence would have known, that the failure to comply occurred.

"(B) EXTENSION OF PERIOD.—

"(i) NO PENALTY.—The period referred to in subparagraph (A)(ii) may be extended as determined appropriate by the Secretary based on the nature and extent of the failure to comply.

"(ii) ASSISTANCE.—If the Secretary determines that a health plan failed to comply because such plan was unable to comply, the Secretary may provide technical assistance to such plan during the period described in clause (i). Such assist-

ance shall be provided in any manner determined appropriate by the Secretary.

"(3) REDUCTION.—In the case of a failure to comply which is due to reasonable cause and not to willful neglect, any penalty under subsection (a) that is not entirely waived under paragraph (2) may be waived to the extent that the payment of such penalty would be excessive relative to the compliance failure involved.

"SEC. 1177. WRONGFUL DISCLOSURE OF INDIVIDUALLY IDENTIFIABLE HEALTH INFORMATION.

"(a) OFFENSE.—A person who knowingly—

"(1) uses or causes to be used a unique health identifier for a purpose that is not authorized by the Secretary;

"(2) obtains individually identifiable health information relating to an individual in violation of the privacy standards established pursuant to this part; or

"(3) discloses individually identifiable health information to another person in violation of the privacy standards established pursuant to this part,

shall be punished as provided in subsection (b).

"(b) PENALTIES.—A person described in subsection (a) shall—

"(1) be fined not more than $50,000, imprisoned not more than 1 year, or both;

"(2) if the offense is committed under false pretenses, be fined not more than $100,000, imprisoned not more than 5 years, or both; and

"(3) if the offense is committed with intent to sell, transfer, or use individually identifiable health information for commercial advantage, personal gain, or malicious harm, fined not more than $250,000, imprisoned not more than 10 years, or both.

"SEC. 1178. EFFECT ON STATE LAW.

"(a) GENERAL EFFECT.—

"(1) GENERAL RULE.—Except as provided in paragraph (2), a provision, requirement, or standard under this part shall supersede any contrary provision of State law, including a provision of State law that requires medical or health plan records (including billing information) to be maintained or transmitted in written rather than electronic form.

"(2) EXCEPTIONS.—A provision, requirement, or standard under this part shall not supersede a contrary provision of State law, if the provision of State law—

"(A) provides requirements or standards that are more stringent than the requirements or standards under this part with respect to the privacy of individually identifiable health information; or

"(B) is a provision the Secretary determines is necessary to prevent fraud and abuse with respect to controlled substances, or for other purposes.

"(b) PUBLIC HEALTH REPORTING.—Nothing in this part shall be construed to invalidate or limit the authority, power, or procedures established under any law providing for the reporting of disease or injury, child abuse, birth, or death, public health surveillance, or public health investigation or intervention.

"SEC. 1179. HEALTH INFORMATION ADVISORY COMMITTEE.

"(a) ESTABLISHMENT.—There is established a committee to be known as the Health Information Advisory Committee (hereafter in this section referred to as the 'committee').

"(b) DUTIES.—The committee shall—

"(1) provide assistance to the Secretary in complying with the requirements imposed on the Secretary under this part;

"(2) study the issues related to the adoption of uniform data standards for patient medical record information and the electronic exchange of such information;

"(3) report to the Secretary not later than 4 years after the date of the enactment of this part recommendations and legislative proposals for such standards and electronic exchange; and

"(4) be generally responsible for advising the Secretary and the Congress on the status and the future of the health information network.

"(c) MEMBERSHIP.—

"(1) IN GENERAL.—The committee shall consist of 15 members of whom—

"(A) 3 shall be appointed by the President;

"(B) 6 shall be appointed by the Speaker of the House of Representatives after consultation with the minority leader of the House of Representatives; and

"(C) 6 shall be appointed by the President pro tempore of the Senate after consultation with the minority leader of the Senate.

The appointments of the members shall be made not later than 60 days after the date of the enactment

of this part. The President shall designate 1 member as the Chair.

"(2) EXPERTISE.—The membership of the committee shall consist of individuals who are of recognized standing and distinction in the areas of information systems, information networking and integration, consumer health, health care financial management, or privacy, and who possess the demonstrated capacity to discharge the duties imposed on the committee.

"(3) TERMS.—Each member of the committee shall be appointed for a term of 5 years, except that the members first appointed shall serve staggered terms such that the terms of not more than 3 members expire at one time.

"(4) INITIAL MEETING.—Not later than 30 days after the date on which a majority of the members have been appointed, the committee shall hold its first meeting.

"(d) REPORTS.—Not later than 1 year after the date of the enactment of this part, and annually thereafter, the committee shall submit a report to Congress, health care providers, health plans, and other entities that use the health information network to exchange health information regarding—

"(1) the extent to which entities using the health information network are meeting the standards adopted under this part and working together to form an integrated network that meets the needs of its users;

"(2) the extent to which such entities are meeting the privacy and security standards established pursuant to this part and the types of penalties assessed for noncompliance with such standards;

"(3) whether the Federal and State Governments are receiving information of sufficient quality to meet their responsibilities under this part;

"(4) any problems that exist with respect to implementation of the health information network; and

"(5) the extent to which timetables under this part are being met.

"SEC. 1180. STANDARDS FOR PATIENT MEDICAL RECORD INFORMATION.

"The Secretary shall, not earlier than 4 years and not later than 6 years after the date of the enactment of this part recommend to Congress a plan for developing and implementing uniform data standards for patient medical record information and the electronic exchange of such information.

"SEC. 1181. GRANTS FOR DEMONSTRATION PROJECTS.

"(a) IN GENERAL.—The Secretary may make grants for demonstration projects to promote the development and use of electronically integrated clinical information systems and computerized patient medical records.

"(b) APPLICATIONS.—

"(1) SUBMISSION.—To apply for a grant under this section for any fiscal year, an applicant shall submit an application to the Secretary in accordance with the procedures established by the Secretary.

"(2) CRITERIA FOR APPROVAL.—The Secretary may not approve an application submitted under paragraph (1) unless the application includes assurances satisfactory to the Secretary regarding the following:

"(A) USE OF EXISTING TECHNOLOGY.—Funds received under this section will be used to apply telecommunications and information systems technology that is in existence on the date the application is submitted in a manner that improves the quality of health care, reduces the costs of such care, and protects the privacy and confidentiality of information relating to the physical or mental condition of an individual.

"(B) USE OF EXISTING INFORMATION SYSTEMS.—Funds received under this section will be used—

"(i) to enhance telecommunications or information systems that are operating on the date the application is submitted;

"(ii) to integrate telecommunications or information systems that are operating on such date; or

"(iii) to connect additional users to telecommunications or information networks or systems that are operating on such date.

"(C) MATCHING FUNDS.—The applicant shall make available funds for the demonstration project in an amount that equals at least 50 percent of the cost of the project.

"(c) GEOGRAPHIC DIVERSITY.—In making grants under this section, the Secretary shall, to the extent practicable, make grants to persons representing different geographic areas of the United States, including urban and rural areas.

"(d) REVIEW AND SANCTIONS.—The Secretary shall review at least annually the compliance of a person receiving a grant under this section with the provisions of this

part. The Secretary shall establish a procedure for determining whether such a person has failed to comply substantially with the provisions of this part and the sanctions to be imposed for any such noncompliance.

"(e) ANNUAL REPORT.—The Secretary shall submit an annual report to the President for transmittal to Congress containing a description of the activities carried out under this section.

"SEC. 1182. AUTHORIZATION OF APPROPRIATIONS.

"There are authorized to be appropriated such sums as may be necessary to carry out the purposes of this part.".

(b) CONFORMING AMENDMENTS.—

(1) REQUIREMENT FOR MEDICARE PROVIDERS.—Section 1866(a)(1) of the Social Security Act (42 U.S.C. 1395cc(a)(1)) is amended—

(A) by striking "and" at the end of subparagraph (P);

(B) by striking the period at the end of subparagraph (Q) and inserting "; and"; and

(C) by inserting immediately after subparagraph (Q) the following new subparagraph:

"(R) to contract only with a health information network service (as defined in section

1171(7)) that meets the standards established under sections 1172 and 1173.".

(2) CLERICAL AMENDMENTS.—

(A) Title XI of the Social Security Act (42 U.S.C. 1301 et seq.) is amended by striking the title and inserting the following:

"TITLE XI—GENERAL PROVISIONS, PEER REVIEW, AND ADMINISTRATIVE SIMPLIFICATION

(B) Parts A and B of title XI of the Social Security Act (42 U.S.C. 1301 et seq.) are amended by striking "this title" each place it appears and inserting "parts A and B of this title".

TITLE III—EFFECTIVE DATES

SEC. 301. EFFECTIVE DATES.

(a) IN GENERAL.—Except as provided in subsection (b), the provisions of this Act shall take effect on the date of the enactment of this Act.

(b) REPEAL OF DATA BANK.—The provisions of section 102 shall take effect on the date the Secretary of Health and Human Services provides written notice to the Congress that the Medicare and Medicaid Coverage Data Bank is no longer necessary because of the operation of

the health information network established pursuant to this Act.

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